

**STATEMENT FROM CITY COMPTROLLER AMER AHMAD ON 2013 BUDGET PROPOSAL
CITY COUNCIL COMMITTEE ON BUDGET AND GOVERNMENT OPERATIONS
TUESDAY, OCTOBER 16, 2012**

Good morning Chairman Austin, Vice-Chairman Reilly, and members of the City Council. Thank you for the opportunity to speak with you today about the Department of Finance's 2012 accomplishments and our plans for 2013.

Efficient billing, debt collection and management of the City's financial resources are critical functions especially given the difficult economic environment our city and nation face. We believe our department is taking every step possible to protect taxpayers, reform government and enable our city to invest in the future for all of our residents and businesses. Over the past year the Department of Finance has not only been a responsible regulator of city finances, but has made creative changes to maximize the use of every tax dollar.

All of our goals and accomplishments are a reflection of the Mayor's leadership and vision for the City of Chicago. Over the past year and in the year to come all of our achievements and objectives are supported by four fundamental ideas: cut costs, generate revenue, maximize efficiency and increase transparency.

The Department's 2013 budget is highly focused on supporting our mission to provide effective and efficient management of the City's financial resources and perform our core responsibilities. These responsibilities include: accounting and financial reporting, cash management and disbursements, city-wide payroll support services, employee benefits management, risk management, citywide cashing, revenue collection noticing, and revenue reporting, parking enforcement, and tax policy administration. I now would like to share some of our accomplishments with you and plans for 2013.

Combine Departments of Finance and Revenue: Cut Costs, Maximize Efficiency, Generate Revenue

In order to support the Mayor's goal of streamlining the structure of City government we have fully consolidated the Departments of Finance and Revenue. Consolidation in areas such as, Human Resources, Finance and Administration, Contract Management, Budget Management, Performance Management and Executive Leadership, were key in this restructure. The result is a new, combined department with a lean organizational structure, with fewer senior and middle management positions and fewer divisions, while providing increased levels of service. The new structure led to \$2.2 million savings in the 2012 annual budget.

Payments to Vendors: Maximize Efficiency

In 2011, the City centralized invoice entry and payment processing at the Department of Finance. For all eligible contracts, invoices are sent directly to our office for expedited processing, decreasing the time it takes to pay vendors. We have already seen a reduction in the time to process a voucher, as nearly 30% of invoices are now paid using this centralized process. We also launched an aggressive campaign to expand our e-payables program. By reaching out to vendors and encouraging them to enroll in this

system we have increased participation by approximately 11 percent. Additionally, we collaborated with other Departments to effectively track unpaid invoices by developing a City-wide Report on invoices that are placed on hold pending review.

In 2013 we will make further improvements to centralized invoice processing by utilizing electronic scanning for invoices and vouchers for electronic storage and retrieval of payment documents. When fully implemented these initiatives will cut cost and hours associated with printing, maintaining and retrieving filed documents at city facilities at storage.

In the Department of Finance I am committed to making this city a business friendly atmosphere and that also means making it easier for organizations to actually do business with the City of Chicago. Last year I told you that it was our goal to decrease the time it takes to pay vendors by 50 percent. I am proud to report that we have exceeded our expectations. Before the implementation of CIP, it could have taken up to 13 weeks to pay a vendor and we are now doing that in 30 days or less. We will continue to make improvements to decrease the time it takes to make these payments.

Improved Customer Service: Cut Costs and Maximize Efficiency

Revenue services and operations cashiering staff at all payment sites used to pay City bills now accept and process Water Department sewer exemptions for seniors. The objective of this initiative is to expand this service to customers at multiple locations throughout the City. This service was previously provided only at limited Water Department locations.

The Department of Finance also received the Innovation Loan Fund for consolidated web payment system. Working with DoIT, this consolidated solution will provide the Department with the ability to expand web-based payments for increased number of receivables. This project includes building a single City web payment menu page that would allow users to immediately go to a single page listing all web-based payments supported by the City. Implementation will begin in 2013.

Tax Assessments/Online Filing: Maximize Efficiency and Generate Revenue

Through September 2012 more than \$41.4M has been collected on tax enforcement cases, exceeding the 2011 record collection figure of \$33.5M. Tax enforcement staffing was increased and we still averaged more than \$1.1M collected per auditor. To date the enforcement unit has completed 845 assessments totaling more than \$62.6M. These goals were achieved through improved efforts to collect outstanding assessments that had been in the hearing process as well as completing large audit cases.

We have also implemented online Tax filing and paying for City businesses. This allows tax filers/payers to file any annual tax returns or make any periodic tax payments online efficiently and timely. By 2013, approximately 48,000 tax payers are expected to file tax returns and real property tax declarations online.

Wellness: Cutting Costs

In collaboration with the Mayor's Office, we successfully negotiated a three-year contract with a wellness program provider for nearly 53,000 city and sister agency employees and their spouses. This will help our employees to take preventative measures when it comes to their health and hopefully improve the overall quality of life for our City workforce. Implementation of this program has already begun with employee health screenings and will continue into 2013.

When I arrived on the job last year, our 2011 budget for healthcare was over \$500 million and was expected to grow to nearly \$600 million by this 2013 Budget. By working hard to manage healthcare costs and budgets, our 2013 Budget is around \$470 million.

Increased Debt Collection: Increase Efficiency and Generate Revenue

While the Department of Finance has already implemented a more aggressive approach in collecting the outstanding debt owed to the City we view this as ongoing goal. We have already taken huge steps forward by improving processes and going after large debtors and financial institutions. In 2012, we anticipated collecting approximately \$32 million, to date we've collected \$45 million and I project by the end of 2012 we will recover nearly \$70 million in debt. These debts range from unpaid parking tickets to millions owed from major banks in fees, fines, and penalties. By increasing our efforts the City has been able to utilize some of these collections to put more police officers on the streets and fund youth programs.

We are committed to making sure banks who own foreclosed properties are paying their bills to the City. Our aggressive approach has already generated significant results. In May 2011, these financial institutions owed the City \$5.7 million. We have decreased that amount by \$4.2 million to \$1.6 million outstanding. Also, by enforcing of the Vacant Properties Ordinance passed in 2011, we have collected an additional \$2.2 million.

Furthermore, we have changed the way we do business with organizations that owe the City. That means placing holds on licenses and permits for those who have outstanding debt. Over 4000 hold notices have been issued since January 2012.

We have also been very successful in holding City employees accountable for debt as well. In November over 8,200 City and sister agency employees owed nearly \$3 million to the City. I am happy to report that since we have implemented collections efforts over 4800 employees have come into compliance and have decreased that debt to \$1.5 million.

Additionally we have also revised and revamped the process for EMS debt collection including the timeframe of the referrals and updated patient invoices. We continue to work with our vendors to improve these collection rates. Further we have directed the law firms that we utilize for debt collection to increase their rates by 10 percent over the next year.

One of our biggest accomplishments in collecting debts is our partnership with the State of Illinois in the off-set debt recovery program. The Department of Finance played an integral role in getting this initiative passed state-wide and provided the State's Comptroller's Office with extensive support to craft

legislation that would provide, not just Chicago but communities all over Illinois, with a new tool to collect debt. The final result is a law that allows the State Comptroller to enter into intergovernmental agreements with any unit of local government, school district, or public institutions of higher education to provide for use of the Comptroller's offset system to collect delinquent obligations owed to these organizations. To date, the City of Chicago has collected \$11 million, mostly from suburban and other non-City resident scofflaws.

We continue to take steps to improve our collection efforts by creating more flexible payment plans and making it easier for people to pay their debts. We have already begun to consolidate billing and collection functions into the Department of Finance. By streamlining these functions, we will achieve higher rates of collection.

Pension Reform: Cut Costs & Increase Transparency

As ex-officio member of each of the Board of Trustees of the city's four pension boards has given me the opportunity to not only promote pension reform but to put those ideas into action. As the City's pension funds face looming funding, legal, and transparency issues there is not a shortage of occasions to take steps towards improvement. This has meant: revisiting and challenging long-established fund practices and procedures, providing a discerning and critical voice in the selection of fund managers and, most importantly, working with other elected and appointed fund Trustees to prudently grant pension and disability benefits.

As challenging as it is to see volatile markets and under-funded plans, I have been committed to ensuring that each fund is operating in the most responsible, ethical and transparent manner. Going forward as a fiduciary I hope to make contributions to aid in the process of pension reform and find real solutions to the problems our City's pensions face.

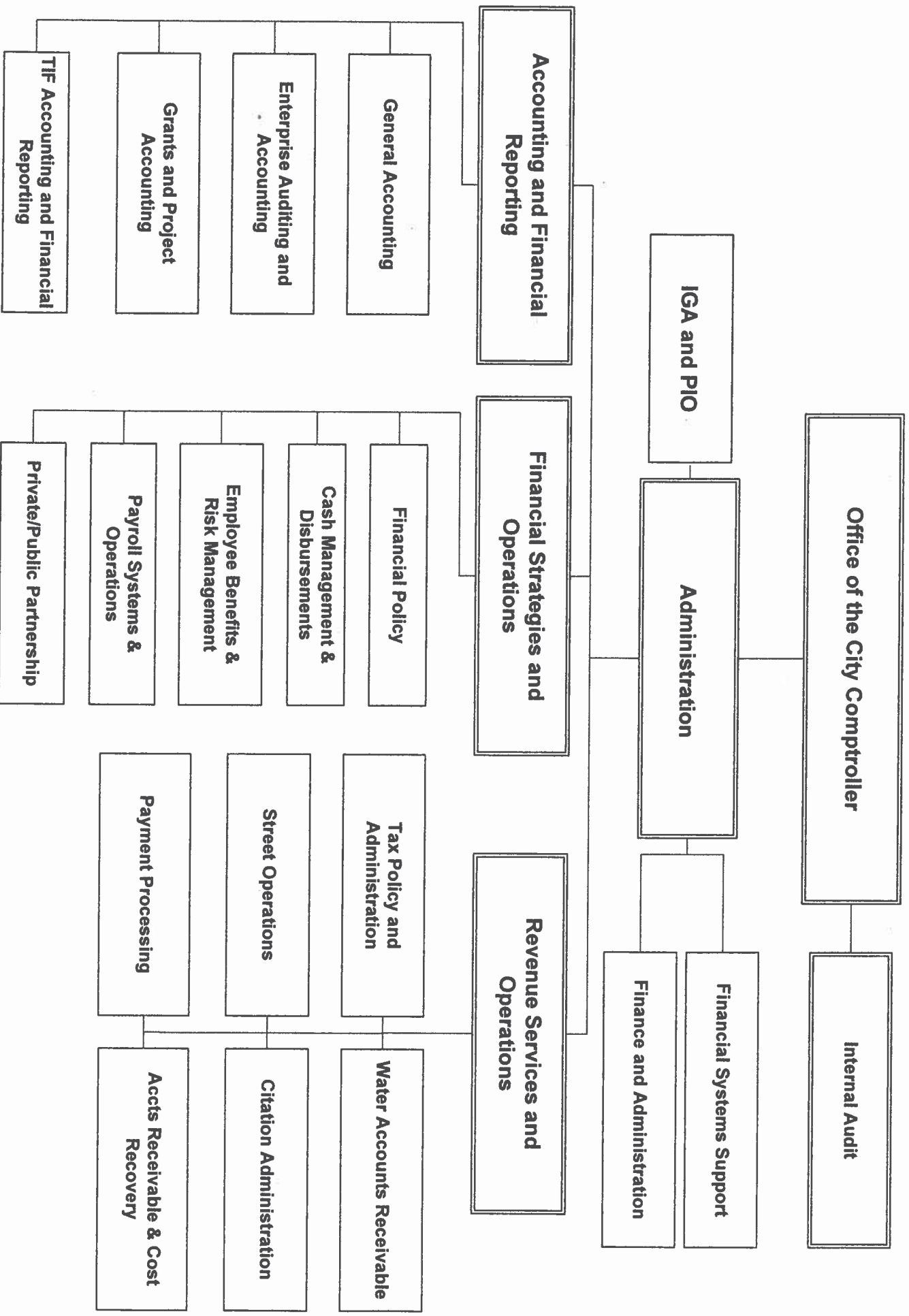
Conclusion

As you can see the Department of Finance intends to take an equally aggressive approach to policy and planning for the remainder of 2012 and 2013. The goals I have outlined continue to build upon our successes and implement new ideas to facilitate cutting costs, generating revenue, maximizing efficiency, and increasing transparency. We are committed to supporting the vision the Mayor has for the City of Chicago by maximizing the use of every tax dollar.

As a public servant I firmly believe that it is my duty to use this office to enforce positive change and to make our city better. Fundamentally, government is a tool to help and to serve our citizens. That idea is the foundation of these proposals. While this budget is a difficult one, I know the Department of Finance and Revenue has helped to mitigate what could have been an even more significant budget shortfall. Our newly redesigned Department of Finance is taking every step possible to protect taxpayers, reform government and enable our city to invest in the future for all of our residents and businesses.

In closing, I want to thank the Mayor, Chairman Austin, Vice-Chairman Reilly and all Committee members. I'd be happy to take any questions you may have at this time.

**DEPARTMENT OF FINANCE
2013 ORGANIZATION CHART**



2013 Budget Hearing

MBE/WBE Data

Period: 2012

Total Purchases: \$18,086,948

| | | MBE | WBE | Total MBE/WBE Purchases |
|------------------|----|-------------------|----------------------|-------------------------|
| WBE only | | n/a | \$ 1,085,390 (6.0%) | |
| Veterans | \$ | 160,015 (0.9%) | | |
| African-American | \$ | 2,727,334 (15.1%) | \$ 1,173,391 (6.5%) | |
| Hispanic | \$ | 2,296,597 (12.7%) | \$ 105,000 (0.6%) | |
| Total Spending | \$ | 5,183,946 (28.7%) | \$ 2,363,781 (13.1%) | \$ 7,547,727 (41.7%) |

Staffing Data

| Department Ethnicity and Gender | | | | |
|---------------------------------|------|--------|-------|---|
| | Male | Female | Total | % |
| Asian | | | | |
| Black | | | | |
| Hispanic | | | | |
| White | | | | |
| Total | | | | |
| | xx% | xx% | | |

| New Hires Ethnicity and Gender | | | | |
|--------------------------------|------|--------|-------|---|
| | Male | Female | Total | % |
| Asian | | | | |
| Black | | | | |
| Hispanic | | | | |
| White | | | | |
| Total | | | | |
| | xx% | xx% | | |

| Department Managers Ethnicity and Gender | | | | |
|--|------|--------|-------|---|
| | Male | Female | Total | % |
| Asian | | | | |
| Black | | | | |
| Hispanic | | | | |
| White | | | | |
| Total | | | | |
| | xx% | xx% | | |

Interns

[illegible]